

Executive Registry

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29 October 1982

MEMORANDUM FOR: Deputy Director for Intelligence
Chairman, National Intelligence Council

FROM: Director of Central Intelligence

SUBJECT: Draft Estimate on US-Japanese Economic Relations

1. I have asked that the draft estimate on US-Japanese economic relations be worked on to treat with greater depth the impact of the yen-dollar ratio on the course of the trade balance, both historically (i.e., the adverse movement of their currency in reducing the trade deficit) and prospectively, including the possibility of manipulation.

2. At lunch today Secretary Shultz advanced the interesting idea that what may be happening now to US currency and trade, particularly in relationships with Japan, is a Swiss phenomena in which it is not the interest differential or the trade balance which is the controlling influence but an increase in the value psychologically attached to security and the security attributed to the dollar. He suggested that would be amenable to having some of our analysts come over to State and engage in an exploratory discussion of this and other aspects of the Japanese-US trade and currency relationships.

3. Also, he said that he had the feeling that nowhere in government was the world financial crisis being addressed in an overall and comprehensive way but only in terms of what particular countries might do in tightening up and pulling in their horns. He said we could only count on growth to make it possible to carry the level of debt which has been created and that all we're preaching as a remedy is austerity and that austerity is not particularly conducive to needed growth.

4. Will you try to have this concept and the possible non-inflationary ways of stimulating growth addressed. We might have a discussion around midweek next week and perhaps if the ideas we can generate are sufficiently concrete they can be introduced into a dialogue with Shultz.

William J. Casey

cc: NIO/Economics

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